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TAGS: [EINV](#) [ECON](#) [VM](#)  
SUBJECT: PM ANNOUNCES PLAN TO COMBAT EFFECTS OF GLOBAL ECONOMIC  
DOWNTURN BUT DETAILS SKETCHY

REF: A) Hanoi 1316 (VN Shifts Focus to Maintaining Growth)  
B) Hanoi 1196 (VN's SMEs Thirsty for Capital)  
C) Hanoi 1391 (VN: Further Effects of the Global Financial Crisis)

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D) HCMC 11 (Factory Closings in the South)

11. (U) Summary: In response to the global economic downturn, Prime Minister Dung has just released a five part plan aimed at maintaining economic growth in 2009. The plan focuses on boosting exports, stimulating investment and consumption, ensuring social security, creating effective monetary and financial policies, and increasing competitiveness. The plan commits USD 1 billion of a stimulus package currently under GVN consideration to subsidizing interest payments on commercial loans. However, plan details and an implementation roadmap are lacking. End summary.

12. (U) In response to the global economic downturn, Prime Minister (PM) Nguyen Tan Dung has just released a five part plan to maintain economic growth in 2009. In his introduction to the plan, the PM officially announces that GVN policy will shift from fighting inflation to preventing a domestic economic downturn (reftel A). He prioritizes the most urgent goals as "mobilizing aggregate strength to prevent economic recession, maintaining growth impetus and ensuring social security."

13. (U) According to the plan, the first step towards achieving these goals is to remove barriers to boost production, business, and exports. He specifies that the struggling small and medium-size enterprise sector (reftel B) is in need of immediate support because "it has created many jobs and is facing terrible difficulties." He also acknowledges that the decrease in exports is affecting laborers, and says that the GVN is already taking financial and monetary policy actions to assist the export market. (Note: He is presumably referring here to the recent 3 percent devaluation of the dong and repeated interest rate reductions.) The PM encourages domestic enterprises to look inward at the untapped market represented by Vietnam's 87 million people, but also notes that Vietnam will continue to make itself attractive to foreign investors, especially since "in early 2009 we must open distribution services in line with our WTO commitments."

14. (U) The second step requires the GVN to mobilize all available resources to stimulate investment and consumption. Given the global economic downturn and tight markets, the PM calls on state-owned enterprises (SOEs) to lead the sector by creating "quality and efficiency" in investment projects but caveats that supervision over the SOEs will be tightened to avoid the "recurrence of inflation." He says that investment capital from the state budget, government bonds, overseas development assistance and credits should be

channeled into transport, energy and housing infrastructure projects to stimulate the economy. The PM admits that 2009 budget revenue will be tighter than previous years so the GVN will issue new bonds to finance these development plans. In addition, the GVN will provide about 17 billion dong (USD 1 billion) to subsidize approximately 40 percent of the interest paid on commercial loans for enterprises, primarily SMEs, to "maintain and promote their production and business activities." (Note: Later clarifications in the press indicated that the funds for this interest subsidy will be taken primarily from the stimulus package discussed in reftel C.) The PM also pledges the GVN as a guarantor for enterprises looking to import machinery and production equipment.

15. (U) The third part of the plan is to "ensure social security and speed up poverty reduction." Among other things, the PM commits the Ministry of Finance (MOF) to allocating sufficient funds in the budget to raise the minimum wage, provide food, recover from natural disasters and epidemics, and enforce the Law on Unemployment Insurance (septel). He also says the GVN will offer pensions directly to the poor and ensure the accessibility of educational and health services in disadvantaged areas.

16. (U) The fourth step focuses on the creation of effective monetary and financial policies. The PM references the repeated interest rate reductions and "flexible" management of the exchange rate to facilitate exports. He also promises that the GVN will restructure the debt of farmers and enterprises facing difficulties, including adjusting interest rates on outstanding loans to conform more closely with current (lower) rates. He pledges government support for investment in post-harvest technologies, animal husbandry and crop production, especially in areas hit by epidemics or natural disasters.

17. (U) The fifth portion of the plan calls for "flexible performance in line with reality." The PM encourages all ministries and agencies to focus on forecasting, transparency and administrative reform in an effort to make Vietnam more competitive during

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difficult economic times. Quoting Ho Chi Minh, he adds that it is necessary to "raise the role of the Fatherland Front and other socio-political organizations" to support his five part plan and that the media has a responsibility for "publicizing accurate information in the interest of the country." (Note: The Fatherland Front is the Communist Party organization that controls all mass organizations in Vietnam, such as the Women's Union and the Vietnam General Confederation of Labor.)

18. (SBU) Comment: Vietnam's leadership is clearly concerned about the effects of the global economic downturn and wants to be seen as taking decisive action to ease the burden on the public (reftel D). As is normally the case here, the devil is in the details. While the plan offers some potentially effective solutions to ameliorating the effects of the downturn, the overall language is very vague and an implementation roadmap is still lacking. Efforts to expand production and increase exports, a common theme for many ministries and high-level leaders, may be ineffective while foreign markets are contracting. The focus on domestic consumption and demand, however, combined with social security measures, could provide the most relief to Vietnam's population in the upcoming year. Post will report implementation plans as they are announced. End comment.

19. (U) This cable was coordinated with Ho Chi Minh City.